

MLN Matters Number: MM4259

Related Change Request (CR) #: 4259

Related CR Release Date: December 16, 2005

Effective Date: January 1, 2006

Related CR Transmittal #: R787CP

Implementation Date: January 3, 2006

## January 2006 Update of the Hospital Outpatient Prospective Payment System (OPPS) Manual Instruction: Changes to Coding and Payment for Observation

**Note:** This article was revised to contain Web addresses that conform to the new CMS web site and to show they are now MLN Matters articles. All other information remains the same.

### Provider Types Affected

Providers billing fiscal intermediaries (FIs) for hospital observation services provided to Medicare beneficiaries and paid under the OPPS

### Provider Action Needed

This article is based on Change Request (CR) 4259 which includes changes included in the January 2006 OPPS OCE and the January 2006 OPPS PRICER.

### Background

Change Request (CR) 4259 describes changes to coding and payment for hospital observation care paid under the OPPS to be implemented in the January 2006 OPPS update (including OPPS OCE and OPPS PRICER changes). In addition, CR4259 discusses changes to observation care under the OPPS.

#### *Observation Care*

Observation care is a well-defined set of specific, clinically appropriate services, which include ongoing short term treatment, assessment, and reassessment, before a decision can be made regarding whether patients will require further treatment as hospital inpatients or whether they can be discharged from the hospital.

Observation status is commonly assigned to patients who present to the emergency department and who then require a significant period of treatment or monitoring before a decision is made concerning their admission or discharge.

#### Disclaimer

This article was prepared as a service to the public and is not intended to grant rights or impose obligations. This article may contain references or links to statutes, regulations, or other policy materials. The information provided is only intended to be a general summary. It is not intended to take the place of either the written law or regulations. We encourage readers to review the specific statutes, regulations and other interpretive materials for a full and accurate statement of their contents.

Observation services are covered only when provided by the order of a physician or another individual authorized by state licensure law and hospital staff bylaws to admit patients to the hospital or to order outpatient tests. In the majority of cases, the decision whether to discharge a patient from the hospital following resolution of the reason for the observation care or to admit the patient as an inpatient can be made in less than 48 hours, usually in less than 24 hours. In only rare and exceptional cases do reasonable and necessary outpatient observation services span more than 48 hours.



For complete details and the specific new instructions regarding observation care, see the revised portions of the *Medicare Claims Processing Manual* attached to CR4259 at

<http://www.cms.hhs.gov/transmittals/downloads/R787CP.pdf> and to the *Medicare Benefit Policy Manual* attached to CR4259 at <http://www.cms.hhs.gov/transmittals/downloads/R42BP.pdf> on the CMS web site.

### ***New G-Codes***

Beginning January 1, 2006, the following two new G-codes should be reported by hospitals for observation services and direct admission for observation care:

| New G-Codes | Descriptor  |
|-------------|---|
| G0378       | Hospital observation services, per hour                   |
| G0379       | Direct admission of patient for hospital observation care |

The OPPS claims processing logic will determine the payment status of the observation and direct admission services, that is, whether they are packaged or separately payable. Thus, hospitals are able to provide consistent coding and billing under all circumstances in which they deliver observation care.

### ***CPT Codes***

Beginning January 1, 2006, the following Current Procedural Terminology (CPT) codes should not be reported by hospitals for observation services:

| CPT Codes Not Paid Under OPPS | Descriptor  |
|-------------------------------|---|
| 99217                         | Observation care discharge                                |
| 99218                         | Initial observation care, low severity                    |
| 99219                         | Initial observation care, moderate severity               |
| 99220                         | Initial observation care, high severity                   |
| 99234                         | Obs/Impt. care (incl. admit/discharge), low severity      |
| 99235                         | Obs/Impt. care (incl. admit/discharge), moderate severity |
| 99236                         | Obs/Impt. care (incl. admit/discharge), high severity     |

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### *G-Codes*

Lastly, the following three G-Codes are discontinued as of January 1, 2006:

| Discontinued G-Codes | Descriptor  |
|----------------------|---|
| G0244                | Observation care by facility to patient                               |
| G0263                | Direct Admission with congestive heart failure, chest pain or asthma  |
| G0264                | Assessment other than congestive heart failure, chest pain, or asthma |

### *CR4047*

CR4047 (Transmittal 763, dated November 25, 2005) explains that some non-repetitive OPPS services provided on the same day by a hospital may be billed on different claims, provided that all charges associated with each procedure or service being reported are billed on the same claim with the HCPCS code which describes that service.

The MLN Matters article that corresponds to CR4047 can be reviewed at: <http://www.cms.hhs.gov/MLNMattersArticles/downloads/MM4047.pdf> on the CMS web site.

Unless otherwise noted, the coding and payment policy addressed in CR4259 are effective for services furnished on or after January 1, 2006.

## Implementation

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The implementation date for the instruction is January 3, 2006.

## Additional Information

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For complete details, please see the official instruction issued to your intermediary regarding this change. That instruction may be viewed at <http://www.cms.hhs.gov/transmittals/downloads/R787CP.pdf> on the CMS web site.

If you have any questions, please contact your intermediary at their toll-free number, which may be found at <http://www.cms.hhs.gov/MLNProducts/downloads/CallCenterTollNumDirectory.pdf> on the CMS web site.

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